Association Business Plan

DRAFT - September 18, 2000

The goal of the effluent trading project is to create a trading system that is environmentally and legally sound; works within existing regulatory programs; allows trades to occur in a dynamic, market-based manner, and that is grounded in environmentally protective requirements. A key underlying concept that shapes the trading system framework is that the rules to ensure environmentally sound and enforceable trades are set out in advance by the regulatory agencies. Then day to day trading occurs as a series of business transactions in a market environment. The Effluent Trading Association is an essential component of the framework. The Association enables trading to occur outside of government venues, in a locally controlled, market setting.

The SW Idaho Resource Conservation & Development Council has volunteered to "incubate" the Association during its inception phase. The RC&D's role in southwest Idaho is to help community members develop tools to effectively manage natural resources, including grant funding. Because there is likely to be substantial overlap in membership between the RC&D and the Association, a short-term relationship with the RC&D was deemed logical. The Association will seek independent incorporation and 501(c)(3) status in spring of 2000. If the Association emerges into a self-sustaining organization, and membership needs dictate, the Association may seek 501(c)(6)[1] status in the future.

Proposed Association Name: Idaho Clean Water Cooperative

Goals

- To support the start-up of an effluent trading program, develop the essential tools of an administrative support system for trading, and provide outreach to raise awareness of trading opportunities.

- To provide the Lower Boise River watershed trading system with core services, as described below, in the most efficient and effective manner possible. The support provided will be scaled to the level of activity and the amount of trading.

- As necessary, re-evaluate the role of the Association as effluent trading in the basin evolves over time, and as trading develops in new basins.

- To eventually become a financially self-sufficient entity.

[1] 501(c)(6) organizations are also referred to as "Business Leagues." Unlike 501(c)(3)'s, Business Leagues may work for the enactment of laws to advance the common business interests of the organization's members.

Core Services

Trade Database.

The Association will both develop and implement a trade database to facilitate effluent trading in the region. This database is required for NPDES permit holders to engage in trading. Major functions of the database will be:

- tracking all trades in a central repository;
- reconciling all trades in the market area to ensure credits are not used more than once;
- providing key trading information and adjusted effluent limits to trading parties, regulatory agencies, and the public; and
- producing reports required for permit compliance.

Records Maintenance and Report Preparation.

The Association will receive Trade Notification Forms (and Trade Reduction Credit Certificates, if a point source-nonpoint source trade) from the point source purchasing the credits, and check these forms for accuracy. The Association will be responsible for preparing and submitting a *Trade Summary Report* to EPA, DEQ and the trading parties on a monthly basis, for each point source with purchased and/or sold credits. *Trade Summary Reports* will also be posted on the Association website. The Association will also maintain files pertaining to trades, and prepare trade summaries from information obtained in the trading database.

Public Information & Outreach.

The Association will be responsible for making trade transaction information available to the general public. Primarily, this information will be pulled from the Trade Notification Forms and Reduction Credit Certificates. Guidelines for public access to this information will be developed by the Association Board, with assistance from EPA.

In addition, the Association will establish and implement an effluent trading Outreach Program designed to educate the public and potential trading parties about the effort. The primary target audience will be the agriculture community. As interest develops, outreach will aim towards additional stakeholders outside of the Boise River basin. The level and direction of outreach effort will be consistent with the schedule for TMDL development (i.e., will increase in scope as the need for trading grows), but will likely involve significant up-front work developing promotional materials and determining target audiences and venues.

Potential Additional Services, as Need Emerges

***Facilitate Trade Transactions*.**

As trading emerges, the purchase of credits will likely be transacted via *Requests for Proposals* for credit reductions. The Association will help establish the minimum requirements for conducting Association sponsored trade transactions, and will advise trading parties to ensure they're meeting all necessary requirements.

Support for Individual Land Owners

The Association could provide the following services to support individual land owner participation in trading. Specific approaches will be determined as the demand for trade services emerges.

1. Municipalities could contract with the Association for credits and the Association could contract with individual landowners. Contracts with municipalities would likely be for more than one year, but contracts with individual land owners could be annual or longer. (Middle Man)
2. The Association could identify and assist individual land owners interested in selling credits, bringing a number of land owners together to create a trade with a municipality. Once the land owner participants are identified, they would enter directly into on or more contracts with the municipality. ('Dating' Service)
3. The Association could purchase credits from individual land owners at its own risk, pool then, and resell to municipalities.
4. The Association could create a spot market by creating a registry; anyone with excess credits could register the credits as available for sale.

BMP Verification

Some stakeholders have expressed an interest in having the Association provide independent third party credit verification. Credit verification would generally consist of satisfying the monitoring requirements for measured or calculated credits specified in the BMP list. The Association could provide credit verification services by either:

1. Maintaining a list of qualified contractors; or
2. Retaining contractors to provide credit verification services on an as needed basis.

In either case, the credit user would still be liable for credit validity (e.g. would sign the credit reduction certificate).

Budget. The Association budget includes estimated one-time start-up expenses, and estimated annual operating expenses. These operating expenses are then projected out for a 3-year period.

Start-up Expenses	***one-time***
Office start-up	$ 300
Letterhead/envelopes	$ 300
Misc. supplies	$ 200
Phone	$ 100
Fax/copier	$ 200
Answering machine	$ 100
Install phone lines	$ 200
Computer, monitor, printer	$ 3,000
ArcView & database	$ 1,500
Incorporation fees	$ 250

501(c)(3) filing fee	$ 250	
Database design	$20,000	
Webpage design	$ 3,000	
Legal work (10 hrs X $100)	$ 1,000	
Total	**$30,400**	

Operating Expenses	***monthly***	***annually***
Office space	$ 150	$ 1,800
Phone	$ 100	$ 1,200
Internet access	$ 20	$ 240
General supplies	$ 50	$ 600
Payroll (1 person at 50% time)	$2,083	$25,000
Business insurance	$ 83	$ 1,000
Printing costs	$ 200	$ 2,400
Outreach activities	$ 100	$ 1,200
Board meetings (4/year)		$ 800
Agency meetings		$ 800
Total		**$35,040**

Total Start-up		$ 30,400
Total Annual Operating	$ 35,040	
3-year Total Operating		$105,120
Grand Total (start-up plus 3-year on-going)		**$135,520**

Necessary Staff

1 part-time person to:

- provide administrative support
- assist in development of and support to the Board of Directors
- support the Board in further development of trading rules
- maintain trading website and database
- conduct community outreach activities
- mediate/support trading party transactions

Membership

A draft of Association Articles of Incorporation and By-Laws, including membership criteria, board makeup and voting procedures, has been completed. Generally, Association membership will be required for anyone in Idaho who engages in effluent trading (as permitted), and is also open to anyone interested in trading and/or the environmental affects of trading. Potential members include agricultural entities that contribute to discharges into the Lower Boise River and its tributaries; municipalities and industries that discharge directly or indirectly into the Lower Boise River and its tributaries; environmental interests; and the general public. The Association's Board of Directors will be composed of 6 members: 2 point source interest group representatives, 2 nonpoint source interest group representatives, 1 environmental interest group representative and 1 public at large representative, to ensure a good balance of interests, and opportunities for shifting coalitions.

Potential Sources of Funding

It is anticipated that the initial start-up funding will be from a grant. Potential grant sources include:

- Rockefeller Family Fund
- Ittelson Foundation Environmental Grants
- Bullitt Foundation
- Charles Stewart Moss Foundation
- Global Environment Project Institute (local)
- Intermountain Gas Industries Foundation, Inc. (local)
- Margaret W. Reed Foundation (local)
- Wal-Mart Foundation

Early funding will also be solicited via effluent trading stakeholder cash donations and in-kind contributions. The Association will seek at least 10 contributors for $1000 each. These funds may be necessary to support additional stakeholder involvement in program development in years 2 and 3.

The effluent trading market in the Lower Boise watershed is expected to emerge gradually over the next several years, along with TMDL decisions. As more demand for trading materializes, it is expected that membership fees and trade transaction fees will meet ongoing Association expenses.

Timeline

Agree on a name for the Association, check with Secretary of State's Office (?) to ensure the name is not being duplicated.	COMPLETED
Draft and submit EPA's Sustainable Development Challenge Grant Application. Begin work on other grant applications, as necessary.	COMPLETED
Write and file Articles of Incorporation. These are typically difficult to amend, so should be written in general terms.	COMPLETED
Write Association Bylaws. These are fairly easy to amend and do not have to be in "perfect" order to file for 501(c)(3) status.	COMPLETED

Recruit/Elect Initial Board Members	09/00
Hold first Board meeting	09/00
File for 501(c)(3) status with the IRS: - Form SS-4 - Form 1023 (filing fees are $150 to $500; usually takes 100 days to process) - Form 8718 Will also need an explanation of where initial funds will originate, lobbying information; fee for service information; statement of revenues and expenses for two projected years (and "best guess" for current year); and a balance sheet.	09/00
Hire Association Staff	09/00
Complete local/state tax exempt applications, as necessary	09/00
Obtain a Business License	09/00
Select database development contractor	12/00
Begin Database & Website Development	1/01
Develop Effluent Trading Project Outreach Plan	1/01
Complete Database & Website	1/01
Begin providing records/maintenance services	03/01
Implement Outreach Plan	01/01-12/02
Expect TMDL Submittal	12/01